

A Report of the  
Economic Impact of  
Deloitte Houston  
in Houston, Texas

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## Table of Contents

Executive Summary .....	3
The Report:	
Introduction .....	5
Description of the Facility and its Operations .....	5
Economic Impact of the Facility and its Employees .....	5
Costs and Benefits for Local Taxing districts Over the First 10 Years .....	6
State Aid for the School District .....	8
Conduct of the Analysis .....	8
About Impact DataSource .....	9
Data and Rates Used in the Analysis .....	10
Schedules Showing the Results of Economic Impact Calculations .....	17
Schedules Showing the Results of Costs and Benefits Calculations:	
City of Houston .....	22
Harris County .....	25
Houston Independent School District .....	27
Harris County Flood Control District .....	30
Port of Houston Authority .....	30
Harris County Hospital District .....	31
Harris County Department of Education .....	31
Houston Community College System .....	32
Houston Downtown Management District .....	32
Houston MTA .....	33
Houston Sports Authority .....	33

### **The Project**

Deloitte & Touche USA LLP and its subsidiaries will lease approximately 300,000 square feet of office space in the Heritage Building, 1111 Bagby Place in Houston, Texas. The company plans to move 1,381 people from Three Allen Center and Williams Tower to the Heritage Building and expects to add an additional 500 employees over the next five years with the support of Texas Enterprise Zone designation.

Approximately sixty percent of the job growth is expected to be at the staff level with an average starting salary of \$62,000. Total project expenditures are expected to be \$61.4 million and employee training costs are expected to be \$24.3 million.

### **Economic Impact over the First Ten Years**

The facility will have an economic impact on the Houston area economy. Some of the economic impacts, over the first ten years, are shown below:

<b>Some of the Economic Impacts of the Facility on the Houston Area Over the First Ten Years</b>	
Total number of direct and indirect jobs retained and created	3,203
Salaries to be paid to direct and indirect workers	\$5,116,572,163
Taxable sales expected in the area	\$1,324,695,564
The value, in Year 10, of new residential property to be built for direct and indirect workers who move to the City	\$13,002,607
Taxable assets at the facility in the first year	\$55,400,000

### **Costs and Benefits for the City of Houston Over the First Ten Years**

Over the first ten years, the City of Houston can expect the following net benefits from the facility, its employees and workers in spin-off jobs retained and created in the community:

<b>Costs and Benefits for the City of Houston Over the First Ten Years</b>			
	Benefits	Costs	Net Benefits
Sales taxes	\$13,246,956		\$13,246,956
Property taxes	\$3,470,475		\$3,470,475
Utilities	\$4,477,047		\$4,477,047
Utility franchise fees	\$1,657,984		\$1,657,984
Hotel occupancy taxes	\$1,097,403		\$1,097,403
Other taxes and user fees	\$129,992		\$129,992
Costs of services to new residents		\$909,943	(\$909,943)
Costs of providing monthly utility services		\$4,253,194	(\$4,253,194)
<b>Total</b>	<b>\$24,079,856</b>	<b>\$5,163,137</b>	<b>\$18,916,719</b>

### **Net Benefits for the All Local Taxing Districts Over the First Ten Years**

Over the first ten years, the local taxing districts in which the facility will be located can expect the following net benefits from the facility, its employees and workers in spin-off jobs retained and created in the community:

<b>Net Benefits for Local Taxing Districts Over the First Ten Years of Operations</b>	
City of Houston	\$18,916,719
Harris County	\$2,478,636
Houston ISD	\$5,022,347
Harris County Flood Control District	\$174,385
Port of Houston Authority	\$70,055
Harris County Hospital District	\$1,033,933
Harris County Department of Education	\$33,844
Houston Community College System	\$512,124
Houston Downtown Management District	\$726,379
Houston MTA	\$13,246,956
Houston Sports Authority	\$313,544
Total	\$42,528,919

## **A Report of the Projected Economic Impact of Deloitte Houston**

### **Introduction**

This report presents the results of an economic impact analysis performed by Impact DataSource, Austin, Texas. The analysis was to determine the impact that Deloitte Houston's facility and operations will have on the economy of the Houston area and costs and benefits for the City of Houston and other local taxing districts over the first ten years of its operations.

### **Description of the Proposed Facility and its Operations**

Deloitte & Touche USA LLP and its subsidiaries will lease approximately 300,000 square feet of office space in the Heritage Building, 1111 Bagby Place in Houston, Texas. The company plans to move 1,381 people from Three Allen Center and Williams Tower to the Heritage Building and expects to add an additional 500 employees over the next five years with the support of Texas Enterprise Zone designation.

Approximately sixty percent of the job growth is expected to be at the staff level with an average starting salary of \$62,000. Total project expenditures are expected to be \$61.4 million and employee training costs are expected to be \$24.3 million.

How the facility and its workers will impact the Houston area economy is discussed next.

### **Economic Impact of the Facility and Its Employees**

The facility, its employees and workers in spin-off jobs retained and created in the community will have the following economic impact on the Houston area over the first ten years of the facility's operation:

<b>The Economic Impact of the Facility on the Houston Area Over the First Ten Years</b>	
Total number of direct and indirect jobs retained and created	3,203
Number of people who will move to the city	936
Number of new residential properties to be built in the city	68
Number of new students expected in Houston ISD	267
Salaries to be paid to direct and indirect workers	\$5,116,572,163
Taxable sales expected in the area	\$1,324,695,564
The value, in Year 10, of new residential property to be built for direct and indirect workers who move to the City	\$13,002,607
Taxable assets at the facility in the first year	\$55,400,000

How this economic impact translates into additional costs and benefits for local taxing districts, is scheduled next.

### Costs and Benefits for Local Taxing Districts Over the Next 10 Years

Local taxing districts can expect to receive the following revenues over the first 10 years from the facility, its employees and workers in indirect jobs retained and created in the community.

Additional Revenues For Local Taxing Districts Over the First Ten Years of the Facility's Operation				
	Sales Taxes	Property Taxes	Utilities	Utility Franchise Fees
City of Houston	\$13,246,956	\$3,470,475	\$4,477,047	\$1,657,984
Harris County	\$0	\$2,165,092		
Houston ISD		\$7,940,124		
Harris County Flood Control District		\$174,385		
Port of Houston Authority		\$70,055		
Harris County Hospital District		\$1,033,933		
Harris County Department of Education		\$33,844		
Houston Community College System		\$512,124		
Houston Downtown Management District		\$726,379		
Houston MTA	\$13,246,956			
Houston Sports Authority				
<b>Total</b>	<b>\$26,493,911</b>	<b>\$16,126,410</b>	<b>\$4,477,047</b>	<b>\$1,657,984</b>

  

	Hotel Occupancy Taxes	Other Taxes and User Fees	Additional State and Federal School Funding	Total Additional Revenues
City of Houston	\$1,097,403	\$129,992		\$24,079,856
Harris County	\$313,544			\$2,478,636
Houston ISD			\$9,571,519	\$17,511,643
Harris County Flood Control District				\$174,385
Port of Houston Authority				\$70,055
Harris County Hospital District				\$1,033,933
Harris County Department of Education				\$33,844
Houston Community College System				\$512,124
Houston Downtown Management District				\$726,379
Houston MTA				\$13,246,956
Houston Sports Authority	<b>\$313,544</b>			<b>\$313,544</b>
<b>Total</b>	<b>\$1,724,491</b>	<b>\$129,992</b>	<b>\$9,571,519</b>	<b>\$60,181,354</b>

Local taxing districts will incur the following costs over the first 10 years, as a result of the facility and direct and indirect employees.

<b>Costs for Local Taxing Districts Over the First 10 Years of the Facility's Operation</b>					
	Costs of Services to New Residents	Costs of Providing Monthly Utility Services	Costs of Educating New Students	Reduction in State School Funding as a Result of Property being Added to Local Tax Rolls	<b>Total</b>
City of Houston	\$909,943	\$4,253,194			\$5,163,137
Harris County					\$0
Houston ISD			\$5,537,395	\$6,951,902	\$12,489,297
Harris County Flood Control District					\$0
Port of Houston Authority					\$0
Harris County Hospital District					\$0
Harris County Department of Education					\$0
Houston Community College System					\$0
Houston Downtown Management Dist.					\$0
Houston MTA					\$0
Houston Sports Authority					\$0
<b>Total</b>	<b>\$909,943</b>	<b>\$4,253,194</b>	<b>\$5,537,395</b>	<b>\$6,951,902</b>	<b>\$17,652,434</b>

The additional public benefits less additional public costs will result in the following net benefits for the City and other local taxing districts over the first ten years of the facility's operation:

<b>Net Benefits for Local Taxing Districts Over the First 10 Years of the Facility's Operation</b>			
	Benefits	Costs	Net Benefits
City of Houston	\$24,079,856	\$5,163,137	\$18,916,719
Harris County	\$2,478,636	\$0	\$2,478,636
Houston ISD	\$17,511,643	\$12,489,297	\$5,022,347
Harris County Flood Control District	\$174,385	\$0	\$174,385
Port of Houston Authority	\$70,055	\$0	\$70,055
Harris County Hospital District	\$1,033,933	\$0	\$1,033,933
Harris County Department of Education	\$33,844	\$0	\$33,844
Houston Community College System	\$512,124	\$0	\$512,124
Houston Downtown Management Dist.	\$726,379	\$0	\$726,379
Houston MTA	\$13,246,956	\$0	\$13,246,956
Houston Sports Authority	\$313,544	\$0	\$313,544
<b>Total</b>	<b>\$60,181,354</b>	<b>\$17,652,434</b>	<b>\$42,528,919</b>

The discounted cash flow over the first ten years of the facility's operations for each taxing district is as follows:

<b>Discounted Cash Flow Over the First Ten Years of Operations</b>	
City of Houston	\$13,598,919
Harris County	\$1,837,695
Houston ISD	\$3,731,340
Harris County Flood Control District	\$130,497
Port of Houston Authority	\$52,424
Harris County Hospital District	\$773,719
Harris County Department of Education	\$25,326
Houston Community College System	\$383,236
Houston Downtown Management District	\$543,568
Houston MTA	\$9,415,520
Houston Sports Authority	\$217,499
<b>Total</b>	<b>\$30,709,744</b>

The above discounted cash flow or present value of net benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. Today's dollar and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 6% to make the dollars comparable -- by expressing them in today's dollars or in present value.

#### **State Aid for the School District**

According to the Texas Education Agency, the state school funding formula is such that any property added to local tax rolls reduces funding from the state – dollar for dollar. However, it takes a year for this to affect. Therefore, the analysis shows that the school district keeps or benefits from the first year's property taxes but state funding in subsequent years is reduced by the amount of local property taxes collected. However, according to the Texas Education Agency, the school district will receive state aid for each new child that moves to the District. The additional revenue for the school district is calculated in this analysis.

#### **Conduct of the Analysis**

This analysis was conducted by Impact DataSource using data, rates and information supplied by the firm and the Houston Area Economic Development Council. In addition, Impact DataSource used certain estimates and assumptions.

Using this data, the economic impact from the facility and the costs and benefits for the City of Houston and other local taxing districts were calculated for a ten-year period.

In addition to the direct economic impact of the facility and its employees, spin-off or indirect and induced benefits were also calculated. Indirect jobs and salaries are created in new or existing local firms, such as fleet maintenance firms, that may supply goods and services to the facility. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to workers and their families.



To estimate the indirect and induced economic impact of the facility and its employees on the Houston area, regional economic multipliers were used. Regional economic multipliers for Texas and areas of the state are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier.

An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the Houston area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The multipliers show the estimated number of indirect and induced jobs created for every one direct job at the facility and the amount of salaries paid to these workers for every dollar paid to a direct worker at the facility. The multipliers used in this analysis are below:

Employment multiplier	0.7029
Earnings multiplier	\$0.7496

#### About Impact DataSource

Impact DataSource is a fourteen-year-old Austin economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and fourteen other states. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.

Data used in the analysis, along with schedules of the results of calculations, are on the following pages.